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accepted illustration of opportunity cost? In any event, the basis of value is not found in *entrepreneur* cost:

Value [is] unaffected by wages: at this stage we can set forth the independence of wages and value. It is a popular notion that an increase of wages leads to an increase of price and *vice versa*. Ricardo showed the fallacy of this long ago. (P. 76.)

Thus for anyone who still believes that somehow, and under some one of its diverse interpretations, the labor-cost theory of value may be made to serve, this ought to be an interesting and reassuring book—but for no one else.

H. J. DAVENPORT

UNIVERSITY OF CHICAGO

The Bank and the Treasury. By FREDERICK A. CLEVELAND.
New York: Longmans, Green & Co.

Under the above somewhat ambiguous title, Professor Frederick A. Cleveland presents an able and timely discussion of current problems in banking and currency. There are few subjects connected with banking from the public point of view that the author fails to consider. Capitalization, deposits, reserves, note-issue, investments, government paper money, publicity in banking, the relation of the banks to the Sub-Treasury, the place of the Sub-Treasury in the currency system, and proposed plans for currency reform are topics suggestive of the scope of the work. However, there is a singleness of purpose in the book that gives unity to the discussion considered as a whole. The avowed intention of the author has been, not to produce a "general treatise on money and banking," but rather "to contribute something to a single subject of national interest—the problem of providing a more 'sound' and 'elastic' system of current credit-funds" (p. v).

Professor Cleveland is both critical and constructive in his treatment of the different topics, pointing out what he considers serious defects in present law and practice, and suggesting important modifications of existing institutions. The book is a strong presentation of the views of the "capital-assets" school of thought upon banking in contrast with the views of the "commercial-assets" school. The proposals for the establishment of a system of note-issue based upon the general assets of the banks, for the right of banks to establish branches, for the abolition of the Sub-Treasury, and for the deposit

of all revenues of the government in the commercial banks are vigorously criticized and condemned. On the other hand, the writer argues for legal provisions requiring larger capitalization of the banks, for the abolition of the present system of reserves, for the prohibition of the payment of interest by one bank upon deposits in it of another bank, for an invested reserve in "gilt-edge" securities that may be hypothecated for cash in time of need, for making the note-issue of the national banks a pure emergency circulation, for the requirement of interest payments on deposits of government funds in the banks, and for a guarantee fund for the insurance of deposits.

To remedy the evils of the present reserve system, Professor Cleveland recommends a number of radical changes in the National Bank Act. His basic principle is that the redemption equipment should be provided from capital. "Instead of the money-reserve being a criterion by which to gauge the soundness of credit-accounts, the law should adopt the measure of unimpaired *capital available for redemption purposes*" (p. 218). In brief, he contends for a prescribed cash reserve proportioned to the credit-accounts outstanding at a given time, supplemented by an invested reserve in "gilt-edge" securities.

Is there not a considerable element of idealism in the proposition that bank capitalization should be sufficiently great to provide a redemption equipment *from capital* large enough to support the *maximum* demand for credit accommodation? Have all parts of the country sufficient capital available to meet the standard proposed?

Further, such an equipment as that proposed would be inadequate in times of panic. Professor Cleveland himself recognizes that, in the past, investments in corporation securities have diminished rather than increased the elasticity of bank credit (pp. 148, 149).

Again, to state that "the form of bank credit demanded by the American business man is not a bank-note, but a 'credit-account'" (p. 56) overlooks important factors in the situation. According to Professor Cleveland's own characterization of the note-issue under the existing law, the business man has no choice in the matter at present, for the reason that the banks do not, in reality, exercise the issue function. Further, it is not true that the deposit serves all the purposes for which the bank-note is adapted.

Once more, the characterization of the proposals of the commercial-assets banking school as a movement in the direction of "wild-cat" banking will carry conviction to few persons who have

studied the proposals of this school at their best. It seems remarkable that Professor Cleveland in his description (pp. 62, 63) of the proposals of the commercial-assets school failed to mention the guarantee fund for note-issue.

ROBERT MORRIS

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Introduction to Business Organization. By SAMUEL E. SPARLING. New York: The Macmillan Co., 1906. 8vo, pp. xvi+374.

This book is another indication of the growing interest in the systematic study of business. In the introductory part of the work definitions and analysis of business organization are given with considerable attention to the legal aspects and forms of organization. After this introduction Professor Sparling passes to a discussion of such topics as, Business Aspects of Farming, Factory Organization, Factory Cost-Keeping, Commercial Organization, Exchanges, Direct Selling, Wholesaling and Retailing, Advertising, Credits and Collections.

Only an elementary and outline treatment is attempted. But wherever possible the underlying principles of general application are set forth.

The work is clear and readable. While it is not likely to offer much detailed information of value to any thoughtful business man about the organization of his own business, it is likely to prove helpful and suggestive to the student who wants a general view of the field and to the beginner who is studying methods of systematizing his own business.

WM. HILL

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From the Cotton Field to the Cotton Mill: A Study of the Industrial Transition in South Carolina. By HOLLAND THOMPSON. New York: The Macmillan Co., 1906. 8vo, pp. ix+284.

The character of this descriptive account of the industrial development of South Carolina is sufficiently indicated in its title. It follows the development of the textile industry, as a domestic industry before the war, and since that period as a factory industry. Present conditions are described, and an account is given of wages, cost of living, social life, and agencies of social betterment, child